

Management's Discussion and Analysis

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2006, by \$114,615,072 (**net assets**). Of this amount, \$13,131,643 (**unrestricted net assets**) may be used to meet the government's ongoing obligations to citizens and creditors. The total net assets include infrastructure of the governmental funds installed during 2003 through 2006. Prior year's governmental funds infrastructure has not yet been included in these statements.
- The City's total net assets increased by a net amount of \$10,613,449. Investment in capital assets, net of related debt accounted for a \$7,239,515 of the increase, unrestricted net assets accounted for \$509,151 of the increase with restricted net assets accounting for \$2,864,783 of the increase.
- The City's governmental funds reported, as of December 31, 2006, combined ending fund balances of \$23,735,465, a decrease of \$1,831,685 from the prior year. Approximately 24 percent of the total fund balance, or \$5,595,141, is available for spending at the government's discretion (**unreserved fund balance**).
- The unreserved fund balance as of December 31, 2006 for the general fund was \$6,279,964 or approximately 31 percent of total anticipated 2007 general fund expenditures.
- The City's Governmental activities debt decreased by \$3,820,000 during 2006. Normal repayments of \$4,050,000 and prepayments of \$9,770,000 were partially offset by the issuance of \$10,000,000 in debt to be used to prepay existing lease revenue debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities of the City include general government, public safety, public works, health & human services, culture & recreation and conservation & development. The business-type activities include the Franklin Water Utility and the City Sanitary Sewer fund.

The government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate Community Development Authority for which the City is financially accountable. Financial information for this blended component unit is reported as part of the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A & B of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General, Debt Service and TIF Districts Funds, that are considered to be major funds. Data from the remaining eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

The basic governmental fund financial statements can be found on Exhibits C, D, E & F of this report. These statements include a budgetary comparison statement of the General Fund.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Library Fund, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement Fund, Sanitary Sewer Fund and the Franklin Water Utility. A budgetary comparison statement has been provided for all governmental funds demonstrating compliance with their budgets.

Proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Franklin Water Utility, the Sanitary Sewer Fund and the Internal Service Fund.

The basic proprietary fund financial statements can be found on Exhibits G, H & I of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The fiduciary funds maintained by the City are the Property Tax Agency Fund, that records the tax roll and tax collections for the City and other taxing jurisdictions, and other agency funds to record their activity.

The basic fiduciary fund financial statements can be found on Exhibit J of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 - 70 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the notes to the financial statements. These schedules 1 to 9 can be found on pages 71 – 85 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$114,615,072 and \$104,001,623 at the end of 2006 and 2005, respectively.

CITY OF FRANKLIN NET ASSETS
December 31, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 54,074,489	\$ 54,869,649	\$ 3,371,841	\$ 3,474,370	\$ 57,446,330	\$ 58,344,019
Capital assets	45,548,910	40,697,119	88,299,652	85,098,937	133,848,562	125,796,056
Total assets	<u>99,623,399</u>	<u>95,566,768</u>	<u>91,671,493</u>	<u>88,573,307</u>	<u>191,294,892</u>	<u>184,140,075</u>
Long-term liabilities	42,786,531	47,602,544	66,363	58,807	42,852,894	47,661,351
Current liabilities	<u>32,992,292</u>	<u>31,620,241</u>	<u>834,634</u>	<u>856,860</u>	<u>33,826,926</u>	<u>32,477,101</u>
Total liabilities	<u>75,778,823</u>	<u>79,222,785</u>	<u>900,997</u>	<u>915,667</u>	<u>76,679,820</u>	<u>80,138,452</u>
Net assets:						
Invested in capital assets, net of related debt	5,673,474	1,634,674	88,299,652	85,098,937	93,973,126	86,733,611
Restricted	7,295,036	4,467,246	215,267	178,274	7,510,303	4,645,520
Unrestricted	<u>10,876,066</u>	<u>10,242,063</u>	<u>2,255,577</u>	<u>2,380,429</u>	<u>13,131,643</u>	<u>12,622,492</u>
Total net assets	<u>\$ 23,844,576</u>	<u>\$ 16,343,983</u>	<u>\$ 90,770,496</u>	<u>\$ 87,657,640</u>	<u>\$ 114,615,072</u>	<u>\$ 104,001,623</u>

The largest portion of the City's net assets (approximately 82 and 83 percent, in 2006 and 2005, respectively) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these net assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$93,973,126 and \$86,733,611 in 2006 and 2005, respectively of the year end net assets. The changes in capital assets were as follows:

	Net Capital Asset		Decrease in Capital		Net
	Additions	Depreciation	Related Debt		Increase
2006	\$ 10,917,057	\$ (2,858,215)	\$ (819,327)	\$	7,239,515
2005	11,919,412	(2,726,152)	1,962,669		11,155,929

The major City project contributing to this increase in 2006 was the construction of the extension of 31st Street and in 2005 was the right of way acquisition for the extension of 31st Street. Infrastructure contributed by developers as part of developer's agreements contributed approximately \$938,000 in 2006 and \$3,872,000 in 2005 to the capitalized infrastructure through capital grants and contributions of governmental activities and \$1,477,000 in 2006 and \$3,181,000 in 2005 to capitalized infrastructure through capital grants and contributions for business-type activities.

An additional portion of the City's net assets (6.6 percent and 4.2 percent in 2006 and 2005, respectively) represent resources that are subject to external restrictions on how they may be used. There were \$7,510,303 and \$4,645,520, respectively in those net assets that were restricted to specific purposes with the remaining balance of \$13,131,643 and \$12,622,492, in 2006 and 2005 respectively in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal years the City was able to report positive balances in all three categories of net assets, as a government as a whole, as well as for its separate governmental and business-type activities.

There was a 2006 increase of \$2,827,790 in restricted net assets reported in connection with the governmental activities. The increase was primarily due to the increase in available debt service funds (\$2,772,000), the use of utility improvement funds to pay for 31st Street and Ryan road sewer improvement projects (\$651,000) offset by the growth in available Development funds (\$632,000).

There was a 2005 increase of \$810,831 in restricted net assets reported in connection with the governmental activities. The increase was due to the growth in utility improvement funds (\$364,000), the growth in impact fees (\$110,000) and the growth in other restricted funds (\$337,000).

There was a 2006 increase of \$634,003 in unrestricted net assets reported in connection with the governmental activities. The major reason for the increase was the increase in the General Fund.

There was a 2005 increase of \$1,098,650 in unrestricted net assets reported in connection with the governmental activities. The major reason for the increase was the unused portion of a borrowing in the capital improvement fund (\$2,750,000).

Governmental activities.

Governmental activities in 2006 increased the City's net assets by \$7,500,593 accounting for 71 percent of the total growth in the net assets of the City. Elements of this increase follow:

- Net increase in Debt service activities of \$3,226,644
- Increase in governmental activities capital assets net of depreciation of \$4,851,792
- Increase from general fund activities of \$605,850
- Net increase from internal service activities of \$292,172
- Net decrease from TIF Districts activities of \$690,802
- Net decrease from other fund activities of \$785,063

Governmental activities in 2005 increased the City's net assets by \$9,368,603 accounting for 70 percent of the total growth in the net assets of the City. Elements of this increase follow:

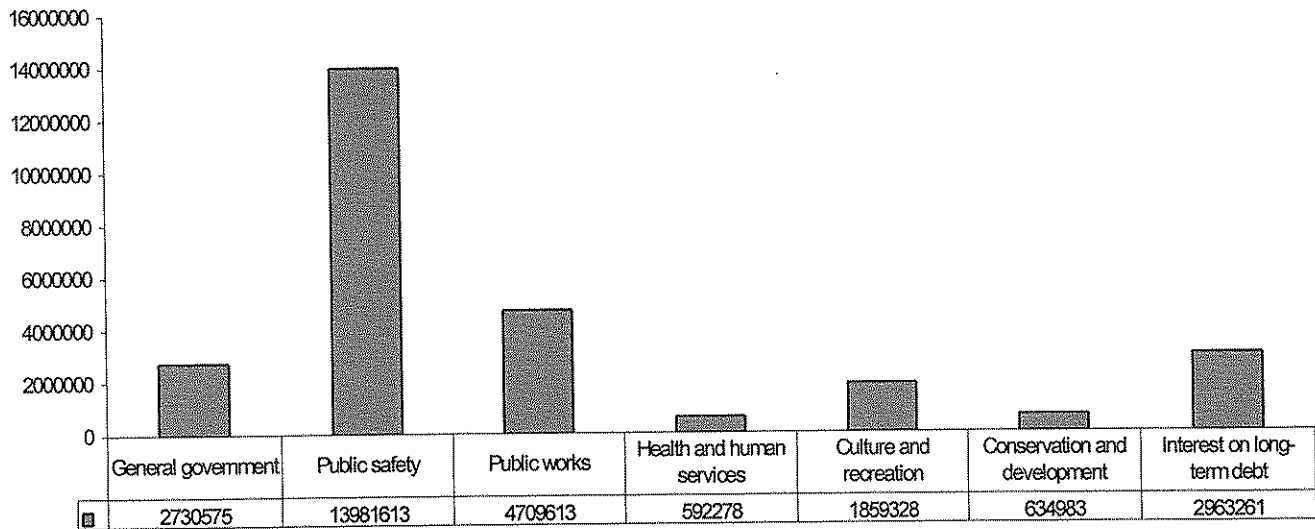
- Increase due to the reduction in Long term Debt of \$4,022,155
- Increase in governmental activities capital assets net of depreciation of \$5,496,453
- Net decrease from internal service activities of \$26,049
- Net decrease from special assessment activities of \$802,192
- Net increase from other fund activities of \$678,236

The details of changes in net assets follow:

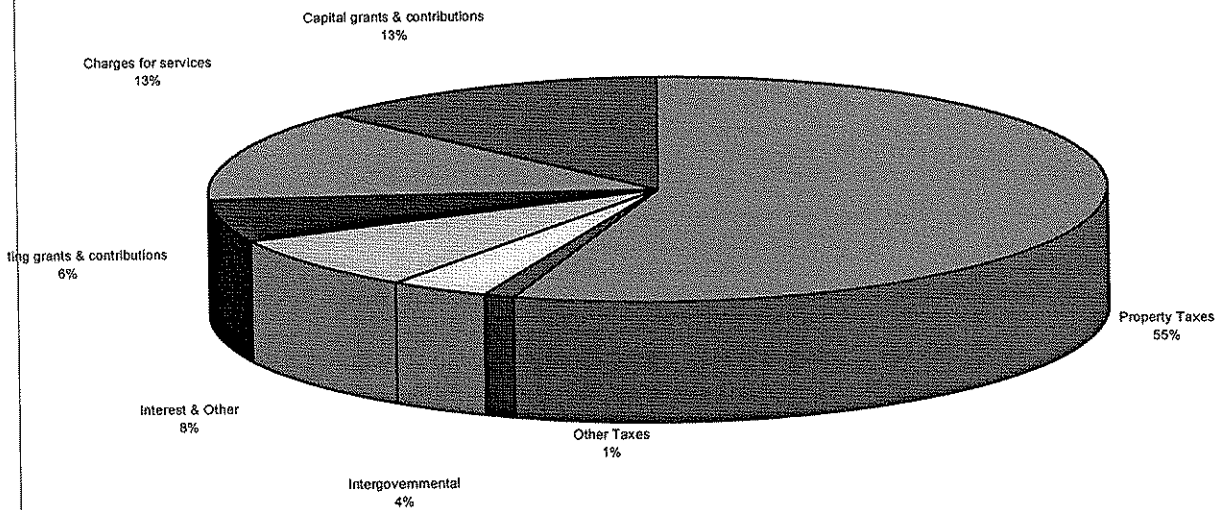
City of Franklin Changes in Net Assets For the Year Ending December 31, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 4,864,627	\$ 4,784,345	\$ 5,452,364	\$ 5,547,932	\$ 10,316,991	\$ 10,332,277
Operating grants & contributions	2,180,165	1,838,699	-	-	2,180,165	1,838,699
Capital grants & contributions	4,725,961	6,728,526	1,477,041	3,181,334	6,203,002	9,909,860
General revenue:						
Property taxes	20,420,758	19,805,791	-	-	20,420,758	19,805,791
Other taxes	419,168	381,116	-	-	419,168	381,116
Intergovernmental	1,334,594	1,271,794	-	-	1,334,594	1,271,794
Other	2,609,206	1,231,050	159,293	95,606	2,768,499	1,326,656
Total revenue	<u>36,554,479</u>	<u>36,041,321</u>	<u>7,088,698</u>	<u>8,824,872</u>	<u>43,643,177</u>	<u>44,866,193</u>
Expenses:						
General government	2,730,575	2,588,256	-	-	2,730,575	2,588,256
Public safety	13,981,613	13,533,975	-	-	13,981,613	13,533,975
Public works	4,709,613	4,673,462	-	-	4,709,613	4,673,462
Health & Human services	592,278	510,520	-	-	592,278	510,520
Culture & Recreation	1,859,328	1,561,066	-	-	1,859,328	1,561,066
Conservation & development	634,983	666,277	-	-	634,983	666,277
Interest on long-term debt	2,574,761	2,204,881	-	-	2,574,761	2,204,881
Water	-	-	3,342,925	3,307,057	3,342,925	3,307,057
Sewer	-	-	2,603,652	2,349,419	2,603,652	2,349,419
Total expenses	<u>27,083,151</u>	<u>25,738,437</u>	<u>5,946,577</u>	<u>5,656,476</u>	<u>33,029,728</u>	<u>31,394,913</u>
Increase in net assets before transfers	9,471,328	10,302,884	1,142,121	3,168,396	10,613,449	13,471,280
Transfers	(1,970,735)	(934,281)	1,970,735	934,281	-	-
Increase in net assets	7,500,593	9,368,603	3,112,856	4,102,677	10,613,449	13,471,280
Net assets - beginning	16,343,983	6,975,380	87,657,640	83,554,963	104,001,623	90,530,343
Net assets - ending	<u>\$ 23,844,576</u>	<u>\$ 16,343,983</u>	<u>\$ 90,770,496</u>	<u>\$ 87,657,640</u>	<u>\$ 114,615,072</u>	<u>\$ 104,001,623</u>

Expenses by Function - Governmental Activities



Revenue by Source - Governmental Activities



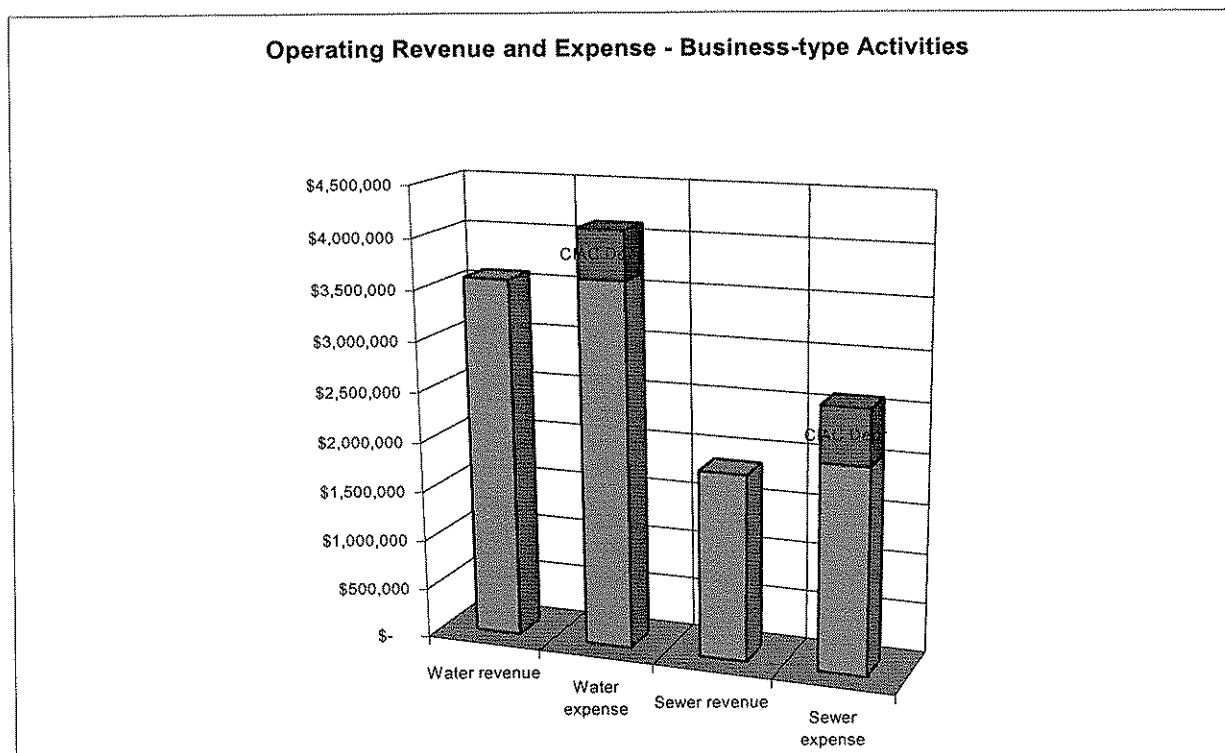
Business-type activities. In 2006, business-type activities increased the City's net assets by \$3,112,856 or 3.6 percent from the prior year. The key elements of this increase follow:

- The (loss) from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$(77,985). The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The sewer revenue is currently below the level necessary to meet this goal.
- Developer contributions of water infrastructure - \$2,313,373 consisting of ten developer projects and four City projects
- Developer contributions of sewer infrastructure - \$1,911,741 consisting of three developer projects and three City projects
- Depreciation expense related to contributed assets - \$1,034,273

In 2005, business-type activities increased the City's net assets by \$4,102,677 or 4.9 percent from the prior year. The key elements of this increase follow:

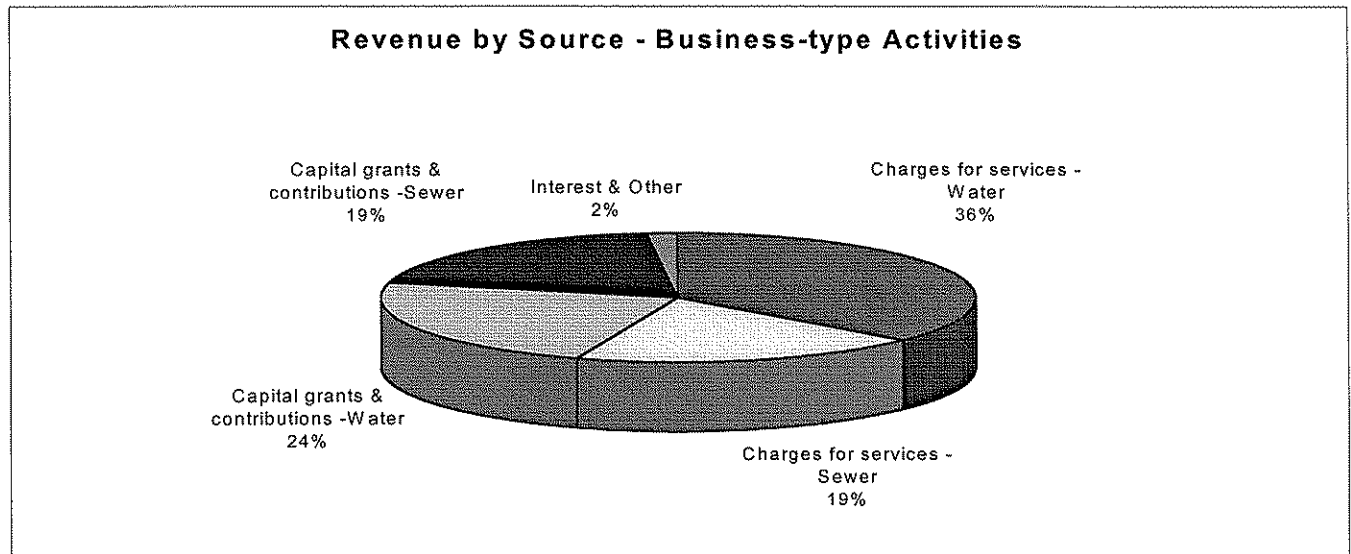
- The earnings from operating activities (the change in net assets excluding capital contributions and its related depreciation expense) was \$189,718. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The year 2005 was a dry year that resulted in greater return from water operations than planned.
- Developer contributions of water infrastructure - \$3,091,294 consisting of thirteen developer projects and two City projects
- Developer contributions of sewer infrastructure - \$1,802,150 consisting of eleven developer projects
- Depreciation expense related to contributed assets - \$980,485

The following graph compares the 2006 charges for services to the operating expenses for water and sewer activities.



Water and Sewer expenses exceed revenue due to the current policy of only including depreciation from City spending on capital assets in the rate formula. The large amount of new infrastructure that is being installed each year is the reason for this policy. When maintenance and replacement costs begin to increase this policy may need to be reevaluated.

As shown on the following chart, the Business-type revenue includes capital grants and contributions, investment earnings and miscellaneous income in addition to charges for services (operating revenue).



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's **governmental funds** is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,735,465, a decrease of \$1,831,685 in comparison with the prior year. Approximately 24 percent or \$5,595,141 constitutes unreserved fund balance, which is available for spending at the government's discretion. Of this unreserved fund balance, the use of the following amounts were committed to specific types of activities; i.e., \$294,820 for special revenue fund activities, \$4,758,828 for capital project activities and a \$5,738,471 deficit in the TIF Districts activities.

The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$3,466,738), 2) for TIF District purposes (\$7,628,769) 3) for utility improvement purposes (\$478,801), 4) for

development purposes (\$3,484,891), 5) for library purposes (\$263,924), 6) uncompleted contracts (\$1,849,000), 7) encumbrances (\$693,000) and 8) for emergency medical services, prepaid expenses, inventories, donations and grants (\$275,201).

The **General Fund** is the chief operating fund of the City. As of December 31, 2006, the total fund balance of the general fund was \$7,021,834 of which \$6,279,964 was unreserved. This unreserved fund balance represents approximately 28 percent of 2007 total general fund expenditures.

The total fund balance of the general fund increased by \$552,774 in fiscal year 2006. The 2006 annual program budget for the City's general fund identified the appropriation of \$969,000 in fund balance to reduce the impact of taxes levied and to balance the budget. However, actual expenses were less than budgeted expenses by approximately 3 percent or \$733,232 and actual revenue was more than budget revenue in the general fund by \$778,542 or approximately 4 percent. The increase in revenue can be attributed to increased development activity resulting in more permit fees and increased interest revenue. The underexpenditures were mainly from vacancy in authorized positions and unused contingency.

The **Debt Service Fund** has a total fund balance of \$10,395,507, \$3,466,738 of which is reserved for the payment of debt service and \$6,928,769 is reserved for advances made to TIF Districts fund. The fund balance other than the TIF Districts portion reflects an increase of \$1,465,184 due primarily to lower amounts of principal and interest being due during 2006.

The **TIF Districts Fund** has an unreserved fund deficit of \$5,738,471 and a reserved fund balance of \$1,169,000 for a net fund deficit of \$4,569,471. The fund deficit is due to funding the districts in 2005 with long term advances from the Debt Service Fund rather than directly receiving the debt funds. Had the TIF Districts fund received the debt proceeds directly there would be an unreserved fund balance of \$1,190,298 instead of the fund deficit as shown.

Proprietary fund. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility at the end of the year amounted to \$1,549,518, an increase of \$63,555 from December 31, 2005. The growth in total net assets was \$1,900,648.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$706,059, a decrease of \$188,407 from December 31, 2005. The growth in total net assets was \$1,212,208.

The financial statements for the enterprise funds can be found on Exhibits G, H and I of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. There were additional appropriations that came from other departments or from the contingency budgeted.

As identified earlier, total actual revenue and other sources exceeded the budgeted revenue by \$778,542. Building permits exceeded their budgets due to increased development activity and by increased interest income accounting for most of the revenue increase.

Actual expenditures were less than budgeted expenditures by \$733,232. This amount was across all functions. The Administration, Police, Highway and City Development departments accounted for the largest portion of the under expenditures. The unused portion of the contingency budget was \$376,200. The underexpenditures were reduced by overexpenditures in the fire, municipal buildings, unclassified and parks budgets.

Because revenue increased and expenditures declined, the need to draw upon existing fund balance was unnecessary. The combination of favorable variances in revenue and expenditures enabled the fund balance to increase by \$552,774.

Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$133,848,562 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

	City's Investment in Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 7,870,390	\$ 6,885,868	\$ 426,384	\$ 426,384	\$ 8,296,774	\$ 7,312,252
Buildings and Improvements	22,037,727	21,288,949	2,373,341	2,342,139	24,411,068	23,631,088
Improvements other than buildings	14,368,653	11,998,351	100,027,157	96,067,431	114,395,810	108,065,782
Machinery and and equipment	12,111,100	11,742,433	1,928,364	1,887,905	14,039,464	13,630,338
Construction in process	<u>1,863,283</u>	<u>415,821</u>	<u>566,427</u>	<u>453</u>	<u>2,429,710</u>	<u>416,274</u>
Total capital assets	58,251,153	52,331,422	105,321,673	100,724,312	163,572,826	153,055,734
Less Accumulated depreciation	<u>(12,702,243)</u>	<u>(11,634,303)</u>	<u>(17,022,021)</u>	<u>(15,625,375)</u>	<u>(29,724,264)</u>	<u>(27,259,678)</u>
Capital assets net of Depreciation	<u>\$ 45,548,910</u>	<u>\$ 40,697,119</u>	<u>\$ 88,299,652</u>	<u>\$ 85,098,937</u>	<u>\$ 133,848,562</u>	<u>\$ 125,796,056</u>

The total increase in the City's net investment in capital assets for the current fiscal year was a total of \$8,052,506 net of depreciation or a 6.4 percent increase.

For further details on capital asset activity, refer to Note 1(D)5, Note 4(D) of the Notes to Financial Statements and Schedules 8 – 8.2.

Long-term debt

At December 31, 2006, the City had general obligation note and bond issues outstanding totaling \$41,600,000. State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City is \$174,087,985. The City's current outstanding general obligation debt is 24% of the statutory debt limit. In the last 15 years the City has not exceeded 34 percent of the statutory debt limit. The City issued \$10,000,000 in new general obligation notes to refinance existing lease revenue bonds resulting in a present value savings in debt service of \$369,000. The City's present rating from Moody's for its general obligation debt is "Aa2".

The City also has outstanding \$5,195,000 of redevelopment revenue obligations that were issued in order to evidence a loan from the City's Community Development Authority (CDA) to the City. The CDA financed its loan to the City by issuing redevelopment lease revenue bonds. The proceeds of the redevelopment revenue obligations were used to finance the City's Business Park. The obligations are being repaid property tax revenue generated by the City's TIF District No. 2. The CDA debt is not subject to the City's statutory debt limit referred to in a preceding paragraph.

In early 2007 the City borrowed \$10,000,000 in taxable general obligation notes for the City's TIF District No. 3 purposes. Also in early 2007 the City borrowed \$9,925,000 in tax exempt general obligation bonds to refinance \$9,470,000 of existing general obligation bonds resulting in a present value savings of approximately \$450,000.

The Franklin Water Utility has no debt outstanding. The Board of Water Commissioners intention is to generally avoid debt by maintaining and building cash and investments and from time to time making improvements to its rate structure. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds and notes	\$ 41,600,000	\$ 32,900,000	\$ -	\$ -	\$ 41,600,000	\$ 32,900,000
Revenue bonds	5,195,000	17,715,000	-	-	5,195,000	17,715,000
Total	<u>\$ 46,795,000</u>	<u>\$ 50,615,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,795,000</u>	<u>\$ 50,615,000</u>

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 10 – 12 in the statistical section of the report.

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2006 for the City was 3.1%, Milwaukee County which includes the City, is 5.3 percent. This compares with an unemployment rate of 4.5 percent for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were -1.63% 1.89% and -1.99%, respectively.
- The tax levy increase for the current and prior two years were, \$666,700, \$1,085,689, and \$206,760, respectively.
- The 2007 budgets require a local tax rate that increased 1.93% which together with growth will result in a tax levy increase of \$935,000 or 5.32 percent.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance & Treasurer or the Director of Administration, 9229 West Loomis Road, Franklin, WI 53132.

General information or more detailed financial and budget information relating to the City of Franklin, Wisconsin, can be found at the City's website, www.franklinwi.gov.